

Five-year Forecast Assumptions  
 Prepared July 1, 2011

Financial projections are required for school districts by Section 5705.391 of the Ohio Revised Code. The projections are intended to provide a method for the Ohio Department of Education and the State Auditor's Office to identify school districts that are headed toward financial difficulty. The format of the projection has also been designed as a guide for determining the ability to certify obligations under the requirements of Section 5705.412 of the Ohio Revised Code. This financial projection is prepared by the treasurer of the Grandview Heights City Board of Education. Assumptions contained in the financial projection are based on information that is deemed the best that is available as of the time of preparation. Actual numbers may differ significantly from those contained in the financial projection.

Revenues

- General property taxes for FY-12 are based upon the February 16, 2011 Official Certificate of Estimated Resources (AOCER) less tax advances received during the prior fiscal year in June, 2011. Estimated FY-12 general property tax revenues are as follows:

11,613,619.20	General property tax per February 16, 2011 AOCER
<u>-2,608,345.00</u>	Tax advances received by the District in June, 2011
9,005,274.20	General property tax revenue estimate for the 2011-12 fiscal year

General property taxes for FY-13 and beyond are based on the February 16, 2011 AOCER for the 2011-12 fiscal year.

The Franklin County Auditor's Official Certificate of Estimated Resources includes the 3.9 mills that passed by majority vote on November 2, 2010. The District will receive approximately \$270,000 from 1 additional millage. (3.9 mills X \$270,000 = \$1,053,000 estimated annual increase)

The Franklin County Board of Tax Appeals adopted a settlement agreement between the School District and NiSource/Columbia Gas over a Property Tax Valuation Dispute that will result in a loss of real estate tax revenues for the School District. An estimated amount of the real estate tax refund and annual reduction of real estate tax revenues is presented in the table below.

	<u>Fiscal Yr.</u> <u>2011-12</u>	<u>Fiscal Yr.</u> <u>2012-13</u>	<u>Fiscal Yr.</u> <u>2013-14</u>	<u>Fiscal Yr.</u> <u>2014-15</u>	<u>Fiscal Yr.</u> <u>2015-16</u>
	9,005,274.20	11,613,619.20	11,613,619.20	11,613,619.20	11,613,619.20
Estimated BTA Tax Refund	-614,094.00	0.00	0.00	0.00	0
Estimated BTA Reduction	-204,698.00	-204,698.00	-204,698.00	-204,698.00	-204,698.00
Sexennial reappraisal on inside mills		50,000.00	50,000.00	50,000.00	50,000.00
Triennial Update					<u>50,000.00</u>
	<u>8,186,482.20</u>	<u>11,458,921.20</u>	<u>11,458,921.20</u>	<u>11,458,921.20</u>	<u>11,508,921.20</u>

Growth in general property tax revenues are projected to occur in the 2012-13 fiscal year due to the 2011 reappraisal to begin its effect in the 2012 calendar/collection year and in the 2015-16 fiscal year due to the 2014 triennial update to begin its effect in the 2015 calendar/collection year. This assumes a similar growth in valuation of \$10,000,000 that occurred in 2009 following the 2008 triennial update. With five inside mills, the tax revenue increase would be \$50,000 in the 2012-13 fiscal year and an additional \$50,000 in the 2015-16 fiscal year.

P.I.L.O.T. (Payment In Lieu Of Tax) Receipt projections are based upon information provided to the School District from R.W. Baird, consultants for the City of Grandview Heights. These projections assume the completion of "Phase I" of the Grandview Yard project developed by Nationwide Realty Investors. According to the compensation agreement between the School District and the City of Grandview Heights, approved by the Board of Education on July 30, 2009, the School District will receive an amount equal to 11% of all real property taxes that would have been received by all political subdivisions and taxing districts on the exempt value of all the parcels of the property used for non-residential purposes and between 15% and 60% for residential units depending on the number of units and year of assessment.

Included in the compensation agreement is a clause that holds the district harmless for loss of revenue as a result of a reduction to the assessed value of real property during the construction of the Grandview Yard. Based on conversations with the Franklin County Auditor, the District anticipates to receive 2010 and 2011 "hold-harmless" payments during FY-12.

	Fiscal Yr. <u>2011-12</u>	Fiscal Yr. <u>2012-13</u>	Fiscal Yr. <u>2013-14</u>
Valuation Reduction "Hold-Harmless"	383,309	175,500	175,500
Grandview Yard Phase I PILOT	23,807	73,217	98,820
	<u>407,116</u>	<u>248,717</u>	<u>274,320</u>

- General property taxes collected during calendar year 2002 reflected the \$609,719 annual reduction in public utility personal property paid as inter-county returns at general property tax collection time. Calendar/collection year 2002 was the beginning of the deregulation. During the 2010-11 fiscal year the School District received \$420,252 from the State of Ohio for deregulation reimbursement. As a result of H.B. No. 153, the School District will receive a final reimbursement of \$119,168 during FY-12. Deregulation reimbursements are projected to be discontinued entirely beginning in FY-13 and beyond. See note #9 below.
- H.B. No. 66, the biennial budget bill for the State of Ohio for 2005-07, reduces tangible personal property tax valuations until this tax is completely eliminated as a source of revenue for school districts as listed below.

<u>Percent of Valuation Reduction</u>		<u>Mostly Affects</u> <u>Fiscal Year:</u>
28.17% Tax Collection Year 2006	1st 1/4	FY-07
23.03% Tax Collection Year 2007	2nd 1/4	FY-08
22.52% Tax Collection Year 2008	3rd 1/4	FY-09
24.61% Tax Collection Year 2009	4th 1/4	FY-10
00.83% Tax Collection Year 2010		
00.84% Tax Collection Year 2011		

Personal property taxes are projected to be discontinued entirely beginning in FY-12 and beyond.

- Interest income projections for FY-12 and beyond are based upon actual receipts through June, 2011. Interest rates declined significantly in 2009, remained constant in 2010 and 2011 and are expected to remain constant through 2012. Cash balances available for investment purposes in FY-12 are assumed to be similar to those in FY-11.
- Other local revenue of \$278,790 beginning in FY-12 includes the following:

All-day kindergarten tuition	115,830 (39 Students @ \$330 for 9 months in FY-12)
All-day kindergarten tuition	2,970 (2 Students @ 165 for 9 months in FY-12)
Other tuition students	9,990 (1 out-of-district tuition student)
Student activity fees	50,000
Property use fees	30,000
Other miscellaneous receipts	45,000
Property use fees, stadium area	<u>25,000</u>
Total estimated local revenue	<u>278,790</u>

Am. Sub. H.B. 30 recently passed giving Districts the permanent authority to charge tuition for all-day kindergarten. Beginning in FY-12 and beyond we will no longer charge our students for attending Metro School, therefore reducing other local revenue by approximately \$25,000.

- H.B. No. 153, the biennial budget bill for the State of Ohio for FY2012-13, restores foundation funding to the fiscal year 2011 levels, and also includes a \$17 per pupil bonus for districts rated excellent or above. School foundation program estimates will remain constant for FY-12 and beyond based on H.B. 153, subject to changes proposed during the FY2014-15 biennial budget process.

	FY-11	FY-12
Foundation Revenue	\$1,469,513	\$1,469,513

\$17 Per Pupil Bonus (Based on Oct 2010 ADM of 1,112)	\$18,904
Total Estimated Foundation Revenue	\$1,469,513    \$1,488,417

7. Rollback & Homestead estimates for FY-12 and beyond are according to the February 16, 2011 AOCER for the 2011-12 fiscal year.
8. H.B. No. 66, the biennial budget bill for the State of Ohio for FY2006-07, reduces tangible personal property tax valuations until this tax is completely eliminated as a source of revenue for school districts. Additionally, the law promises "hold harmless" reimbursements to be paid to school districts to offset the loss of tangible personal property taxes from 2006 until 2018. Beginning in calendar year 2011, these hold harmless reimbursements from the state were expected to be gradually phased-down until they are zero in 2018. However, H.B. No. 1, the biennial budget bill for the State of Ohio for FY2010-11, extends the full hold harmless reimbursements through FY-13. The hold harmless reimbursement schedule changed once again when H.B. No. 153, the biennial budget bill for the State of Ohio for FY2012-13, passed reducing each district's reimbursements up to 2 percent of its total FY-10 resources in FY-12 and FY-13. Tangible Personal Property hold harmless reimbursements will remain at the FY-13 level thereafter, subject to changes proposed during the FY2014-15 biennial budget process.

In accordance with the Ohio Department of Taxation website, the Grandview Heights School District received \$58,718 in hold harmless reimbursements during FY-06. Therefore, the Revenue in Lieu of Taxes for FY-06 is listed as follows:

70,977.20 Personal property tax state reimbursement for filers < \$10,000  
58,718.23 Personal property tax hold harmless reimbursement from the state  
 129,695.43 Revenue in Lieu of Taxes in 2005-06 fiscal year

Revenue in Lieu of Taxes for FY-07 was as follows:

45,146.63 Personal property tax state reimbursement for filers < \$10,000  
459,025.07 Personal property tax hold harmless reimbursement from the state  
 504,171.70 Revenue in Lieu of Taxes in 2006-07 fiscal year

Revenue in Lieu of Taxes for FY-08 was as follows:

36,329.34 Personal property tax state reimbursement for filers < \$10,000  
793,944.70 Personal property tax hold harmless reimbursement from the state  
 830,274.04 Revenue in Lieu of Taxes in 2007-08 fiscal year

Revenue in Lieu of Taxes for FY-09 was as follows:

18,164.67 Personal property tax state reimbursement for filers < \$10,000  
1,126,846.86 Personal property tax hold harmless reimbursement from the state  
 1,145,011.53 Revenue in Lieu of Taxes in 2008-09 fiscal year

Revenue in Lieu of Taxes for FY-10 was as follows:

1,436,308.10 Personal property tax hold harmless reimbursement from the state

Revenue in Lieu of Taxes for FY-11 was as follows:

1,448,469.00 Personal property tax hold harmless reimbursement from the state

<u>Reimbursement from the State</u>		
FY-06	58,718	(Actual)
FY-07	459,025	(Actual)
FY-08	793,945	(Actual)
FY-09	1,126,847	(Actual)
FY-10	1,436,308	(Actual)
FY-11	1,448,469	(Actual)

FY-12	1,147,386	(Projected)
FY-13	846,302	(Projected)
FY-14	846,302	(Projected)
FY-15	846,302	(Projected)
FY-16	846,302	(Projected)

9. Other state revenue includes the receipt of direct reimbursement from the state to offset local tax revenue lost due to electricity and natural gas utility deregulation. These direct reimbursements were originally expected to be discontinued entirely after August, 2006. However, this direct reimbursement has continued on a year-to-year basis as long as the inflation adjusted public utility deregulation tax loss is greater than the increase in state school foundation payments received by the School District for the current fiscal year. As a result of H.B. No. 153, the biennial budget bill for the State of Ohio for FY2012-13, the School District will receive a final payment of \$119,168 during FY-12. Deregulation reimbursements are projected to be discontinued entirely beginning in FY-13 and beyond.

Electricity and natural gas utility deregulation reimbursements have been received and are projected to continue as follows:

\$304,859	in FY-02	(Actual)
\$408,667	in FY-03	(Actual)
\$409,168	in FY-04	(Actual)
\$419,906	in FY-05	(Actual)
\$420,252	in FY-06	(Actual)
\$420,200	in FY-07	(Actual)
\$420,351	in FY-08	(Actual)
\$420,212	in FY-09	(Actual)
\$420,252	in FY-10	(Actual)
\$420,252	in FY-11	(Actual)
\$119,168	in FY-12	(Projected)
\$0	in FY-13	(Projected)
\$0	in FY-14	(Projected)
\$0	in FY-15	(Projected)
\$0	in FY-16	(Projected)

#### Expenditures

10. 2004-05 expenditures and beyond include School District reorganization activities approved by the Board of Education on February 10, 2004. Projected 2011-12 expenditures include all appropriations in effect as of July 1, 2011.
11. Scheduled certificated staff salaries are per the GHEA Settlement Agreement for FY-10, FY-11 and FY-12. FY-10 contains a 0% base salary increase, FY-11 contains a 2% base salary increase, FY-12 contains a 2.75% base salary increase. Scheduled certificated staff salaries increase for longevity only beyond FY-12. No base increase has been included for FY-13 and beyond. (A 1% General Fund certificated salary schedule base increase is estimated to cost \$70,500 salary only and \$82,500 with fringe benefits.) (General Fund movement up the salary schedule is estimated to cost \$115,000 salary only and \$134,000 with fringe benefits.)
12. Scheduled non-certificated staff salaries are per the GHSSA Settlement Agreement for FY-10, FY-11 and FY-12. FY-10 contains a 0% base salary increase, FY-11 contains a 2% base salary increase, FY-12 contains a 2.75% base salary increase. Scheduled non-certificated staff salaries increase for longevity only beyond FY-12. No base increase has been included for FY-13 and beyond. (A 1% General Fund non-certificated salary schedule base increase is estimated to cost \$13,500 salary only and \$15,700 with fringe benefits.) (General Fund movement up the salary schedule is estimated to cost \$14,000 salary only and \$16,500 with fringe benefits.)
13. No wage increase has been budgeted for non-scheduled administrative/treasurer salaries for FY-12 and no increase has been projected for future fiscal years. The Board of Education may increase salaries for non-scheduled administrative employees and treasurer in accordance with Policies AFB-R, AFBA-R, BCCC

BCCC, CBC, GCB-2 and GCD-2-R . (A 1% General Fund non-scheduled administrative/treasurer salary increase is estimated to cost \$8,600 salary only and \$10,000 with fringe benefits. There are no salary schedules upon which these employees can move.)

14. Scheduled supplemental salaries, substitute certificated salaries, and substitute non-certificated salaries increase 2.5% per year for FY-13 and beyond. Existing positions known not to be filled have not been budgeted. 2.5% is the estimated increase for movement up the salary schedule.
15. Non-certificated overtime, staff development, curriculum development and other salaries and stipends remain constant for FY-12 and beyond.
16. Severance pay is budgeted for anticipated retirements during FY-12. No severance payments and no retirements are anticipated for FY-13 and beyond.
17. Retirement (14.0%) and Workers' Compensation (1.0%) increase commensurate with salaries. During fiscal 2012 through 2016 while the School Employees Retirement System implements its foundation deduction catch-up, the rate of 14.75% shall be used to estimate the employer share of retirement contributions instead of 14.0%.
18. The single health insurance premium share is 90/10 employer/employee and the family premium share is 80/20 employer/employee. Traditional health insurance premiums have increased as follows for the past eight fiscal years:

29.8 %	2011-12
9.3 %	2010-11
0.0 %	2009-10
2.9 %	2008-09
7.9 %	2007-08
5.0 %	2006-07
2.0 %	2005-06
2.0 %	2004-05

No changes in the relative premium shares between the employer and employee are projected. Health insurance premiums are projected to increase 29.8% for FY-12, 15.2% for FY-13 (as per 2-year agreement with Aetna) and 15% annually for FY-14 and beyond (per correspondence with Group Benefits Agency trend is 15%).

19. Life insurance premiums are projected to remain constant for FY-12 and beyond.
20. Dental insurance premiums reflect a 5% increase for FY-12 (per contract renewal) and 10% annually for FY-13 and beyond. (per correspondence with Group Benefits Agency trend is 10%).
21. Medicare payments increase by 3.5% annually for FY-13, 14 and 15 and 3% for FY-16 and beyond.
22. Unemployment payments remain constant for FY-12 and beyond.
23. SERS employer surcharge increases by 2.4% (average CPI increase for last 6 years) for FY-13 and beyond.
24. Other fringe benefits increase 2.4% annually for FY-13 and beyond.
25. A 2.4% CPI increase for FY-13 and beyond (average CPI increase for last 6 years) has been applied to:
  - a. cost-center budgets
  - b. special education tuition/transportation
  - c. new textbooks
  - d. fiscal charges
  - e. Technology
  - f. miscellaneous purchased services
  - g. miscellaneous supplies

h. miscellaneous other expenses

A 10% annual increase for FY-13 and beyond has been applied to utilities (electricity, natural gas, water & sewer). Energy USA has said to expect 7% annual increases in natural gas. A 50% increase in natural gas cost was experienced in FY-06.

- 26. No court settlements are anticipated.
- 27. An extracurricular van has been anticipated for purchase every other fiscal year beginning with \$20,000 in FY-12. Otherwise, a 2.4% (average CPI increase for last 6 years) inflationary increase has been applied to miscellaneous capital outlay for FY-13 and beyond. The most recent new extracurricular van was purchased during FY-08 for \$17,540.
- 28. Transfers from the General Fund to the Bond Retirement Fund are planned as follows to make principal and interest payments on the \$175,000 unvoted debt issued on December 1, 2006 for the purpose of purchasing and installing the synthetic grass playing field at Bobcat Stadium:

\$24,540.83	FY-08	(Actual)
\$23,786.76	FY-09	(Actual)
\$23,061.60	FY-10	(Actual)
\$22,301.32	FY-11	(Actual)
\$21,590.63	FY-12	(Projected)
\$20,846.88	FY-13	(Projected)
\$20,103.13	FY-14	(Projected)
\$19,359.38	FY-15	(Projected)
\$18,615.63	FY-16	(Projected)
\$17,871.88	FY-17	(Projected)

Transfers from the General Fund to the Food Service Fund are anticipated to promote the health and wellness of students by perpetuating a food service program that includes healthy options.

\$30,000.00	FY-08	(Actual)
\$35,000.00	FY-09	(Actual)
\$45,000.00	FY-10	(Actual)
\$19,000.00	FY-11	(Actual)
\$50,000.00	FY-12	(Projected for FY-12 and beyond)

- 29. A contingency has been established for FY-12 as follows:

\$50,000.00	General contingency
\$100.00	Psychologist's Office
<u>\$3,000.00</u>	Stevenson Elementary School
\$53,100.00	

The General contingency is usually established at \$50,000 annually. FY-13 and beyond do not reflect contingencies.

In the Uniform School Accounting Manual, the Auditor of the State of Ohio defines a contingency of this nature to be an expenditure line item as follows:

To be used for unanticipated emergencies, this classification shall not exceed three (3) percent of total appropriations for current expense. No expenditures are to be made from this function. These modified appropriations are to be made by two thirds (2/3) vote of the board of education authorizing the modification of other functions as needed.

In accordance with these regulations from the Auditor of State, the School District would be eligible to insert a contingency line item in its General Fund budget of almost a half-million dollars or ten times the amount actually budgeted by the Board of Education. Note that this contingency is only a budgetary line item in the District's

General Fund. This is not an actual set-aside of cash and it is not intended to accumulate from year to year.

30. The balance in the District's reserve for budget stabilization is \$750,000 as of June 30, 2011. This reserve represents an accumulation of cash set aside as a reserve within the District's General Fund. No additional contribution is planned for FY-12 and beyond. Policy - DIF of the Board of Education creates and requires the maintenance of this reserve at 5% of the District's base General Fund revenues which are defined as the following. Note that not all types of revenues may be currently collected by the School District.
- a. General Fund real and personal property tax revenue
  - b. Emergency levy fund revenue as a component of the General Fund
  - c. General Fund payments received in lieu of local property taxes
  - d. General Fund income taxes
  - e. District's share of city income tax based on development agreements
  - f. General Fund state foundation revenue

According to Board Policy DIF, the Board of Education may appropriate monies from the amount set-aside in its reserve for budget stabilization if any of the following circumstances exist:

1. The District's loss at the ballot of an existing operating levy in the current or previous fiscal year. (The loss at the ballot of a new operating tax levy does not qualify as a circumstance to authorize the appropriation of monies from the reserve for budget stabilization.)
  2. Property tax or income tax delinquencies equal to five percent or more of taxes charged and payable in any one fiscal or calendar year
  3. A loss of five percent or more of total tangible personal property assessed valuation in any one fiscal or calendar year
  4. A loss in revenue or an expenditure due to civil insurrection which equals five percent or more of the District's base revenues as defined above
  5. A loss in revenue or an expenditure due to a natural disaster which equals five percent or more of the District's base revenues as defined above
  6. An expenditure due to a catastrophic capital loss which equals five percent or more of the District's base revenues as defined above
  7. A loss of state aid in any one fiscal year which equals five percent or more of the District's base revenues as defined above
  8. A tax refund paid by the District in any one fiscal year which equals five percent or more of the District's base revenues as defined above
  9. Any other unanticipated, extraordinary, unusual and infrequent occurrence in any one fiscal year that results in an expenditure or a loss in revenue equal to five percent or more of the District's base revenues as defined above
31. A separate reserve has been established to accumulate proceeds from stadium area cell tower rental contracts to be used to pay the debt necessary to purchase the synthetic grass playing field. The balance in the District's stadium area reserve is \$37,232.55 as of June 30, 2011. It is expected that the revenues will only be sufficient to cover debt payments and that no significant balance will accumulate in this reserve.